



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler /s/ *Frederick W. Schindler*
Director, Collection Policy

SUBJECT: Interim Guidance Regarding Competent Authority Cases

This memorandum provides interim guidance when working Competent Authority (CA) cases in Field Collection. The Deputy Commissioner (International), Large and Mid-Size Business Division, acts as the U.S. Competent Authority in administering the operating provisions of tax treaties, as well as tax coordination agreements with the U.S. territories. In interpreting and applying tax treaties and the U.S. territory tax coordination agreements, the U.S. Competent Authority assists taxpayers and works with the tax administrations of foreign governments and U.S. territory governments to resolve double taxation and other issues addressed under a tax treaty or tax coordination agreement.

Revenue Procedure 2006-23 provides procedures for taxpayer requests for Competent Authority assistance under U.S. territory tax coordination agreements. Revenue Procedure 2006-54 provides procedures for making similar requests for assistance under tax treaties. Section 7 of both revenue procedures provides: "When a request for competent authority assistance is accepted with respect to a U.S. initiated adjustment, the IRS will postpone further administrative action with respect to the issues under competent authority consideration." The postponement of administrative action includes assessment or collection actions if they impact the issues under the Competent Authority's jurisdiction. The majority of these cases will involve the taxpayer's request for a determination agreement between the two governments as to his legal residency status.

Both revenue procedures provide for exceptions to the postponement of administrative action, in particular, "in situations involving cases pending in court and in other

instances in which action must be taken to avoid prejudicing the U.S. Government's interest.”

The procedures below will be followed by both Field Revenue Officers (ROs) and CA analysts:

- (1) The Competent Authority will research IDRS on cases under their jurisdiction to identify cases in status 26 or status 03. Once identified, the CA will notify Collection Policy, Case Resolution Alternatives (CRA) Group, insular area analyst, of these cases.
- (2) The Collection Policy insular area analyst will enter a history item in the ICS history to include the tax periods under CA jurisdiction and contact information for the CA analyst working the case.
- (3) If the RO feels that postponement of collection activity will adversely impact the government's interest, he will consult his immediate manager. If the manager agrees, the manager will contact the CA analyst to discuss the case and resolve any conflict. The CRA insular area analyst may be included in the discussion at the request of either party.
- (4) The case will remain in Field inventory during the postponement period unless the RO and manager determine that another action is advisable, such as reporting the case currently not collectible (CNC), adjustment pending (TC 470), or installment agreement accepted.
- (5) Once Competent Authority issues are resolved, the CA analyst working the case will notify the insular area analyst that their case is closed. The insular area analyst will input the closing information to the ICS history.

If you have any questions, please contact me, or a member of your staff may contact Senior Program Analyst Lexie White.

cc: Director, LMSB, Treaty Administration and Double Taxation
Director, Campus, Filing and Payment Compliance
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